


ACTUARIAL NOTE  
REGULAR SESSION 2009

House Bill 651 HLS 09RS-230 Engrossed/ House Committee Amendments	Preparation of this Note was directed by the Actuarial Services Division of this office
Author: Representative Armes May 21, 2009	
LA # 22.02 Louisiana School Employees' Retirement System EG 5yr Ttl: \$18,000 per Reemployed Bus Driver	Steve J. Theriot, CPA Legislative Auditor

**Bill Header:** Relative to the Louisiana School Employees' Retirement System (LSERS); to provide relative to the reemployment of retired school bus drivers and the actuarial cost associated with such reemployment.

**Estimated Fiscal Impact:**

EXPENDITURES:	2009-10	2010-11	2011-12	2012-13	2013-14	5 Yr Total
State General fund	See below	See below	See below	See below	See below	See below
Agy Self Generated	0	0	0	0	0	0
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	0	0	0	0	0
Annual Total	See below	See below	See below	See below	See below	See below

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 Yr Total
State General fund	See below	See below	See below	See below	See below	See below
Agy Self Generated	0	0	0	0	0	0
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	0	0	0	0	0
Annual Total	See below	See below	See below	See below	See below	See below

The estimated fiscal impact shown in the table above is from the perspective of LSERS.

**Purpose:**

To require any employer participating in LSERS to pay its pro rata share of any actuarial cost, if such employer opts to reemploy a retired school bus driver under provisions allowing such retiree to receive full benefits plus salary and to require employers to declare their intent to reemploy a retired bus driver under the 100% Rule of R.S. 11:1007.

**Existing Provisions:**

Current law provides that any employer who elects to reemploy a bus driver pursuant to the “100% Rule” shall pay to the System *all the actuarial costs to the system of reemployment of such bus driver*.

**Proposed Provisions:**

The proposed law provides that any employer who elects to reemploy a bus driver pursuant to the “100% Rule” shall pay to the System *its pro rate share of any actuarial cost in the aggregate as determined by the System’s actuary*.

**Actuarial Impact:**

The actuarial impact on the LSERS is negligible. However, there is an actuarial cost to school districts in the aggregate. This cost is estimated to be \$18,000 year per retired bus driver rehired under the 100% Rule.

**Actuarial Analysis:**

From its perspective, LSERS will be made whole for any losses sustained by the reemployment of retired bus drivers. Under current law, such costs are paid by the school district that generates the actuarial cost. Under proposed law, the cost will be paid on a pro rata basis by all school districts reemploying retired bus drivers. The only difference is how additional contributions are allocated among the school districts.

Currently, school districts do not reemploy retired bus drivers under the 100% Rule because such districts are solely responsible for reimbursing LSERS for the actuarial cost associated with the drivers they rehire. House Bill 651 spreads the cost of reemployment in a manner to be determined by the System actuary. The method the actuary will use is not known so it is not known the extent to which a school district will gain or lose relative to the current law. A school district perhaps will be more willing to reemploy retired bus drivers under the 100% Rule if it perceives that its cost is being shared with others. If such is the case, LSERS will pay benefits it would not have had to pay otherwise. However, LSERS will collect additional contributions from employers to offset these costs.

The cost per bus driver reemployed under the 100% Rule is estimated to be \$18,000, with this cost being borne by school districts in the aggregate according to the spreading method (currently unknown) used by the System actuary. With these uncertainties, it is not possible to estimate the extent to which school districts will reemploy more drivers under the revised 100% Rule.

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**Fiscal Impact:**

Offsetting revenue and expense from the perspective of LSERS. From the perspective of school districts in the aggregate, the cost is estimated to be \$18,000 per reemployed bus driver.

**Dual Referral Rules:**

Estimated Fiscal Impact >= \$500,000? **NO**